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REAL COSTS OF THE REFINING INDUSTRY IN 1954

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According to the GUS [Główny Urząd Statystyczny -- Main Statistical Office] communique on the execution of the National Economic Plan for 1954, the Ministry of Mining has attained 104% completion. The same communique states that the production plans for many basic materials used in production have been exceeded. This applies, among others, to petroleum products. This statement refers to the refining industry, which, though seemingly a small industry as compared to mining, still provides the state with a production which is close to 20% in value as compared to the value of mined coal. The refining industry has grown to such dimensions during the decade of the People's Republic of Poland that it has now entered into the category of industries which have key importance for the state.

The yearly plan was completed by 103.3% by the refining industry. For this reason, engineer Waniolka, Deputy Minister of Mining, has stressed the following in his article in which he evaluates the work of the individual industries which come under mining ("The Last Year of the Six-Year Plan," Gospodarka Górnictwa [Mining Economy], January 1955):

"The petroleum refining industry executed the tasks of the first 5 years of the Six-Year Plan with distinction, completing them as early as 14 August 1954. This was accomplished thanks to an increase of about 30% in the processing capacities of old installations and thanks to the introduction of new installations. The assortment of end products of the refining plants grows from year to year, which means that the assortment of imported products can be reduced. The refining plants have been improving the quality of their products, and have started exporting some of their products as early as 1954."

The objectives set by the National Economic Plan for 1954 have been executed by the refining industry despite serious difficulties in importing the raw material, and despite a severe winter which caused great operating difficulties.

The tasks of the refining industry do not end there, however. Until recently, attention was paid only to the execution of the plans without regard to the costs involved. The real costs were computed by totaling all expenditures involved in obtaining the products. The problem was of interest only to the plant director and to its head bookkeeper. The opinion was frequently expressed that the plant administration could have no control over the costs. It was therefore only a matter of careful bookkeeping and recording of all expenditures, and the yearly accounting showed what had been the cost of the production. The attitude was similar to that of a man who is standing on a bridge and observing the flow of river water and its varying volume, which depends on the amount of precipitation and on the season of the year. The bookkeeper conscientiously recorded the motion of such "rivers of expenditures"; by the time the plant administration found out about the monstrous quantities of "water" i.e., recorded costs, the course of events could no longer be changed since the expenditures had already been made. This was the situation until the Ninth Plenum of the Central Committee, or until the Second Convention of the PZPR [Polska Zjednoczona Partia Robotnicza -- United Polish Workers Party], where resolutions were accepted which required an immediate and radical change in this prevailing harmful attitude. This

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was closely related to the major economic goal set by the party, namely, to improve the living conditions of the population by 15 to 20% in 1954 and 1955. The realization of this goal depended among other things on a reduction of real costs by about 7 billion zlotys in 1954.

As is well known, this task unfortunately was not completed in 1954; instead of the planned 7 billion, a reduction of only 3 billion zlotys was attained, and the remaining 4 billion had to be supplied from state reserve funds.

The tasks which had been set for the refining industry in 1954 should be analyzed in the light of these facts, as should be the industry's handling of these tasks. In analyzing the real costs of the refining industry, the costs of raw materials should be omitted, since the refining plants have no control over the changing level of costs of raw materials or over any changes in the assortment of materials obtained. The analysis should therefore deal only with the costs of processing the raw materials, i.e., labor, materials, chemicals, steam, electric power, water, fuel, amortization, sales and transportation, packing, etc. In 1953 the corrected unit cost of processing 1 t of raw material amounted to 168.54 zlotys, with the limitations placed on the production of some of the refining plants affecting only the production of bunker oil, since the expansion of all production divisions had not yet been completed. The plan for real costs for 1954 assumed that these costs would be reduced by 5.48% as compared with 1953, i.e., to 158.83 zlotys per ton of processed raw material. The results obtained in the first quarter of 1954 were alarming, since instead of the planned reduction they showed a rise in real costs to 170.60 zlotys, or 7.46%. This could in part be accounted for by the drop in production caused by difficulties in importing the raw material. In April 1954 the results for the 4 months were improved, with an average cost of 163 zlotys per ton, but the plan for the year was seriously endangered.

It was around this time that the resolutions made at the second convention of the PZPR began to be put into effect. The decrease of the Chairman of the Council of Ministers of 7 May 1954 appeared and were followed by the circular of the Minister of Mining of 14 May 1954 which concerned the intensification of the struggle to reduce real costs. On 11 June 1954 a party-economic council met at the Administration of the Petroleum Refining Industry, at which the refining plants were instructed to put into effect the resolutions of the Second Convention of the PZPR. Plant committees, in collaboration with the plant councils and plant administration organized party-economic meetings which had been carefully prepared by the elected committees and subcommittees. At these meetings, the entire crews were mobilized to undertake concrete tasks aiming at the reduction of real costs on all work posts. An intensified and well thought-out propaganda campaign, skillfully carried out by the local radio stations and also by means of well-edited bulletin boards, caused the entire plant crews to become vitally involved in the problem of reduced real costs. Considering that all party agencies, starting with the K. [Komitet Wykonawczy - Executive Committee], have been keeping a constant watch over the fulfillment of the resolutions accepted at the party-economic meetings, concerning economy and production goals, some picture of the intensified struggle for reduced costs at the refining plants may be obtained. This struggle has yielded a highly gratifying final result. Not only has the planned reduction of costs to 158.83 zlotys been attained, but so has a further reduction to 150.37 zlotys, or by 5.33% in relation to 1953. This gives a total reduction by 10.52% in relation to 1953. The reduced real costs amounted to a gain of

20 million zlotys. In addition, the tasks in the area of planned accumulation were exceeded by 7.7%, which represents 60 million zlotys over the planned amount of accumulation.

It should be recalled that Point 63 discussed by the Second PZPR Convention and accepted by the Ninth Plenum of the Central Committee calls for a reduction in real costs by at least 7% during 1954 and 1955. This means that the refining industry has not only fulfilled its own production tasks, surpassing the plan for last year by 3.3%, but has also realized Point 63 of the Ninth Plenum of the Central Committee by attaining a reduction in real costs which was 3.52% greater than the set minimum. This demonstrates the high degree of political and economic awareness on the part of the entire crew, as well as the success of the activities of the refining industry, the effective integration of the activities of all party agencies, and finally the well-done preparatory and supervisory work of the administration of the refining plants, for which they should be given full credit.

The work on this problem does not end with 1954, however. So far only half of the task has been completed. The efforts must be continued in 1955 so that the beautiful results of the previous year may not be wasted. The plan for real costs for 1955 has already been set; the crews will soon find out the percentage reductions to strive for, if the tasks are to be realized. The mobilization of effort must continue, and must not be weakened as compared with last year, which could serve as an example for other enterprises.

The Committees and subcommittees have already started preparations for the next party-economic conference. New economizing tasks will be undertaken at all work posts. The Third Plenum of the Central Committee of the PZPR has raised a number of exceedingly important problems which must be explained to the crews. The crew must come to understand that continued efforts to reduce real costs will improve Polish living conditions, will bring further reductions in prices, and thus raise the level of real wages. In the refining industry, a number of categories making up the real costs require a thorough analysis to determine whether they could not be reduced. Some examples are given below:

1. Employment is not yet sufficiently stabilized; sickleave absences occur too frequently, especially in the spring and summer months.
2. The consumption of fuel, technical materials, and chemicals should be standardized in such a way as to make for the most economical use; substitute materials should be applied in place of scarce materials.
3. In the area of power management, consumption indexes for the various kinds of power should be made up for each production division on the basis of 1954 data; these indexes should then be used in controlling the current power expenditures and in planning for further reductions.
4. Innovations which make production more efficient and reduce real costs should be popularized.
5. The campaign to reduce production losses should be intensified.
6. Stockroom management should be improved. It must be remembered that stockroom turnover requires the same kind of supervision as cash turnover, and deficiencies must be avoided.

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7. Loading and unloading operations at sidings belonging to the refining plants must be organized efficiently, and should take place at the scheduled times without excessive waiting.

These examples do not exhaust the totality of the problem related to the reduction of real costs. The individual refining plants will work out these problems in greater detail taking into consideration specific local conditions.

Even then, the matter cannot be closed here. There are certain other problems which are closely related to the production of the refining plants, to the assortment and value of their products, and to the real costs; e.g., the supply of raw materials.

This important problem must be discussed; it has been the cause of some trouble and disruption during the current year. Domestic raw materials do not meet the needs of the constantly growing refining industry. Polish crude oil production is not keeping up with the increasing processing capacities. As a result, it is necessary to import considerable amounts of raw materials.

The importing is handled by "Ciech," which has become separated, administratively, from mining as of last year. The refining plants have felt this change keenly in the area of shipments of raw materials. It is difficult to reach an understanding with an agency which must comply with directives from superior organs in its own field. Such directives do not always coincide with the needs of the refining industry. This situation reflects an administrative error which should be eliminated quickly, if order is to be introduced into this important area.

The refining industry should have a voice in determining the quantitative and qualitative selection of imported raw materials which it is to purchase. Only the refining plants can decide which raw material is best suited to their needs from the point of view of apparatus and technical capacities. Yet the negotiations concerning the purchase of raw materials take place without representation of the refining plants. The refining industry at numerous conferences presents the assortment of materials which need to be imported, along with the reasons for such selection; yet this is disregarded in the actual imports. The refining industry ends up receiving grades of oil which were originally classified as only "possible to import," even though these grades are incompatible with the required end products and with the technical conditions of the apparatus which is to process the raw materials.

The refining industry is striving to supply completely the needed machine and motor oils, which are most expensive to import. The refining plants have designed their investments in such a way as to meet the industrial and agricultural demands for oil, with an eye on the economic aspects of this problem. Yet the importation of crude oil for lubricating oils has decreased, while the supplies of asphalt-containing crude oil have gone up. As a result, there is excessive asphalt production which clogs all refining plants, since the exportation of this product has halted.

And there is still another problem. Work on the production plans for the following year is started in the third quarter of the current year. By this time, the refining industry should know what raw materials it will have at its disposal for next year's production. Yet negotiations about importing the raw materials only start towards the

end of the year, and final agreements are made no sooner than the first quarter of the year when deliveries are to be made. As a result of these delayed negotiations, the planning is done without a realistic basis and is considerably delayed. Shipments of crude oil are scheduled in such a way that at the beginning of the year the refining plants cannot utilize their productive capacities for lack of raw materials. This naturally disrupts the plans for real costs. The following conclusions may be drawn from the difficulties discussed above:

1. Foreign transactions should be brought to completion earlier, so that the refining plants could know, by the end of the second quarter of any given year, what amounts and quality of raw material they can count on in planning for the following year.

2. If the above is not practically possible, larger amounts of crude oil should be purchased in any given year which would provide for some reserves over and above the amounts needed to carry out the yearly plan; these reserves should be sufficient for the production of the first quarter of the following year, since during that quarter shipments frequently fail because of the winter.

3. "Ciech" should be administratively linked with the refining plants to facilitate their mutual collaboration; this should be done by placing them within one and the same branch.

4. Representatives of the refining industry should be present during negotiations for purchasing crude oil; this would insure the importation of such raw materials as would correspond both in quantity and in quality to Polish needs and requirements.

All this is closely related to the problem of real costs. The insured supply of suitable raw materials would make it possible for the refining industry to plan with greater precision, and to place the various items of expenditures and income in their proper relationship to each other.

The party statute accepted by the Second Convention gives the plant committees the right to check on the administrative management of the enterprise. This right elevates the basic leadership function of the party organization within the enterprise, and it increased its responsibility for the total work picture within an enterprise. This right serves political purposes. The most important political aim of the party organization within the plant is to intensify the political and productive activities of the crew which result in increased production and in the fulfillment and surpassing of production plans. The party organization conducts continuous political activities among the crew aiming at increasing their awareness of the effects of socialist competition in improving production and in bringing about technical progress. The plant crew points out, through widely applied criticism and self-criticism, any errors, omissions, or inadequacies which hamper the increase in production and hence the improvement in living conditions. The party organization has the task of mobilizing the entire crew for participation in this effort, of increasing the crew's sense of responsibility for the work and for development of its plant. The greatest opportunities should therefore be provided for criticism and control from below.

The Second Convention has posed the problem of bringing about a more rapid rise in the standard of living of the working masses.

Practical examples must be given showing how work productivity can be increased, how employment overgrowths can be eliminated, and how real costs of production can be reduced. The crew must be given the broadest possible field for activity, which would liberate its constructive criticism. Only with the help of the crew and together with it can the party organization help the administration in the solution of this basic problem. The accumulation of financial resources for a further reduction in prices will be necessary, if living standards are to be raised. This is the purpose of the struggle for reduced real costs. The party organizations in the plants must point out concrete ways of eliminating overstaffing in certain sections, ways of improving work organizations and of maintaining work discipline, and must check on the fulfillment of production standards.

The question of capital repairs deserves special attention at the refining plants. Such repairs are carried out at planned intervals. If the plant fails to prepare ahead of time the needed replacements for parts and the needed materials, the time allotted for the repairs is exceeded. This in turn endangers production plans. The repairs should not only be carried out on schedule, but efforts should be made to shorten them further. All refining plants should extend their aid by assigning the necessary skilled workers such as locksmiths, plumbers, and welders, thereby concentrating all resources in the plant which is carrying out repairs on its distillation tower or boilers. Repair time may be shortened in this way, potential productive capacity may be utilized in full, and production may be increased, to satisfy the needs of industry and agriculture.

These tasks will be fulfilled if the course of the plan for real costs will be watched not only by the director and head bookkeeper, but also by the entire engineering and technical team, by the foremen, and by the crew, just as the latter follow the course of competitions between sections and between individual refining plants. The party and social apparatus operating at the refining plants must become active in this; internal propaganda must be strengthened by means of displayed tabulations of the monthly real costs broken down into components, with information about the results obtained by the individual production sections and auxiliary sections. Well-edited and interesting bulletin boards will also serve their purpose, provided their form will give suitable and attractive expression to the propaganda contained. The propaganda conducted at the refining plants should aim at arousing the creative and active support of the entire crew for the beautiful and inspiring goal of speeding up the rise in the living standards of the working masses of the State, which is establishing socialism.

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